

**SECURITY MILK PRODUCERS ASSOCIATION**

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Eric Erba
Acting Chief
Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814

July 7, 2004

Dear Mr. Erba,

Security Milk Producers Association, a California cooperative that services the Southern California Class I market, proposes an adjustment to the Transportation Allowance applied to milk shipments made from the Central Valley counties of Fresno, Kings and Tulare to Southern California. To be addressed at the Public Hearing on August 4, 2004. Our reasons and justification for this adjustment are stated as follows.

Reasons:

While Southern California is the most populated region of the state, milk production is leaving the area at a rapid pace. From 1995-2002 milk production was decreasing at a rate of 2% per year. Currently milk production is leaving at 12% per year with projections for that trend to continue until 2007 when the vast majority of production will be gone due to climbing property values.

Justification:

With the current trends indicating little or no milk production in the future in Southern California the Class I market appears particularly vulnerable to unregulated out of state shippers. We feel that now is the time to take steps to protect and possibly improve the economics of the Southern California Transportation Sub-Pool region. Therefore we are proposing the following changes.

POOLING PLAN FOR MARKET MILK- Section 921.2(e)

Following are the changes we propose for the Southern California receiving area. Consisting of Los Angeles, Orange, Riverside and Ventura Counties.

Zero through 89 miles	\$0.09 per CWT
Over 89 miles through 139 miles	\$0.4775 per CWT
Over 139 miles	\$0.7475 per CWT

We intend to participate in the workshop on July 20 to support our proposal.

Sincerely,
SECURITY MILK PRODUCERS ASSOCIATION

Hank Perkins
General Manager